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Australia in the World Conflict

BY JAMES FREDERICK GREEN

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Australia in the World Conflict

BY JAMES FREDERICK GREEN

WHILE Australian aviators fight in the Battle of Britain and Australian troops lead the victorious Empire forces in their drive across Libya, the Commonwealth is preparing to meet the gravest threats in its national history. On February 13, 1941 the Acting Prime Minister, Mr. A. W. Fadden, and the leader of the Opposition, Mr. John Curtin, issued a joint statement warning that "the war has moved into a new stage of the utmost gravity."[1] Following conferences of the War Cabinet with Air Chief Marshall Sir Robert Brooke-Popham, British Commander in Chief in the Far East, Australia a few days later dispatched thousands of fully equipped troops to Singapore. On February 16, Britain mined the approaches to the Singapore base and subsequently reinforced the northern boundary of Malaya with troops and airplanes. The increasing tension in the Far East revealed the importance of Australia's rôle in the world conflict.[1a]

The Commonwealth of Australia occupies a continent of 2,974,581 square miles—only slightly smaller than the United States—and a position in the Southern Hemisphere that would be equivalent to a range from Costa Rica to Detroit. The Commonwealth was established in 1900, when the six colonies which had developed during the 19th century and achieved virtual self-government—New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania—were united under a federal constitution.

This report appraises Australia's war effort and outlines present economic, political and diplomatic trends, against the background of developments since the great financial crisis of ten years ago.[2]

ECONOMIC PROGRESS

Australia was one of the first countries struck by the world depression, and in the financial crisis of 1931 the Commonwealth decided to make fundamental adjustments in its national economy. Among the varied and complex developments which brought Australia to a turning point in its history, at least three were, and remain, basic factors in the Australian economy. In the first place, Australia, like most young countries, had been developed by foreign capital, an unusually large part of which represented public rather than private debt. It therefore had to secure sufficient foreign exchange each year to make interest payments on the portion of its debt held overseas—52 per cent in 1930—chiefly in London. So long as the Commonwealth could maintain large export surpluses and secure new loans in London (averaging about £30,000,000 annually from 1920 to 1929) these interest payments imposed no undue strain on its balance of international payments.[2a] By 1931, however, the simultaneous contraction of the London capital market and the collapse of export trade had made it difficult for Australia to find exchange for its debt service. Secondly, since Australia concentrated on the export of a few primary products—wool, wheat, meats, dairy produce, and fruits—it was peculiarly vulnerable to the fall in agricultural prices and curtailment of international trade that characterized the great depression. Australia's relatively high standard of living, resulting in part from public works financed by overseas borrowing, as

1. *The New York Times*, February 13, 1941.

1a. *Ibid.*, February 14-20, 1941.

2. For a study of the economic background, cf. E. P. MacCallum, "The Australian Financial Crisis," *Foreign Policy Reports*, September 16, 1931; for a brief survey of Australia's economic war potential and initial military preparations, cf. J. F. Green, "The British Dominions at War," *ibid.*, February 1, 1940, pp. 278-80. Among recent general works on Australia the following are outstanding: H. L. Harris, *Australia's National Interests and National Policy* (New York, Oxford University Press, 1938); J. C. G. Kevin, *ed.*, *Some Australians Take Stock* (London, Longmans Green, 1939); W. R. Maclaurin, *Economic Planning in Australia* (London, King, 1937). For a brief survey, cf. J. W. Holmes, *ed.*, *Australia and New Zealand at War* (New York, Oxford University Press, Oxford Pamphlets on World Affairs No. C9, 1940).

2a. Unless otherwise indicated, £ refers throughout this report to Australian currency, now quoted at about $3.22. Since 1931 the ratio to sterling has been approximately as follows: £A125= £Stg. 100.

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well as extensive social legislation, depended to a considerable extent on the maintenance of profitable markets in the United Kingdom and elsewhere. In the third place, Australia's gradual shift from primary to secondary production had involved protective tariffs for its new industries, which in time of depression aroused hostility among some British, American and Japanese exporters.

To meet the severe strains on its balance of payments in 1931, Australia undertook many drastic reforms, which combined deflationary and inflationary measures and required compromises between the conservative propertied interests and the wage-earning classes. As a result of these measures, general world recovery, and a series of good crops, the Commonwealth overcame the depression to a remarkable extent, and in the years preceding the outbreak of war enjoyed unprecedented prosperity in certain fields. Although very little new capital was raised in London after 1931, new investment in Australia permitted continuing expansion. The effect of this trend is illustrated by the marked increase in the Australian-held portion of the total public debt.

PUBLIC DEBT: COMMONWEALTH AND STATES*

Year ending June 30	*Held in Australia* (£A)	*Held in London* (£Stg.)	*Held in New York* (£Stg.)	*Total (book value)*
1930	526,968,664	525,785,833	47,842,701	1,100,597,198
1940	750,763,366	546,496,159†	43,794,719‡	1,341,054,244
Interest Payable				
1930	27,769,323	25,185,900	2,410,898	55,366,121
1940	27,013,811	18,346,598†	2,196,624‡	47,557,033

*Source: Commonwealth Bureau of Census and Statistics, *Official Yearbook of the Commonwealth of Australia, 1934* (Canberra, 1935), pp. 441, 444; *Quarterly Summary of Australian Statistics,* June 1940, p. 39.
†Excludes suspended interest of £3,919,774 on World War debt (£79,724,221) due the British government. The unfavorable exchange rate (£A125=£100) increases the interest burden by 25 per cent.
‡Does not fully represent the interest burden, since these figures were converted from dollars into sterling at $4.86.

Secondary industries became an increasingly important part of the Australian economy, until by the outbreak of war they accounted for almost half the total national output, as indicated in the table below.

ESTIMATED GROSS VALUE OF AUSTRALIAN PRODUCTION*
(*in millions of Australian pounds*)

Year ending June 30	*Agricultural*	*Pastoral*	*Dairy, Poultry, Bee-farming*	*Forestry and Fisheries*	*Mining*	*Manufacturing†*	*Total*
1934	70.7	95.6	40.3	9.6	17.6	123.4	357.2
1938	93.2	100.8	57.6	14.8	32.4	188.1	486.9
1939	76.8	84.9	60.4	14.6	32.5	195.7	465.0

*Source: *Official Yearbook, 1939* (Canberra, 1940), cited, p. 925; *Quarterly Summary of Statistics,* June 1940, p. 13.
†Net value.

The importance of this shift in emphasis from primary to secondary industry is even more strikingly illustrated in employment figures. Manufacturing now provides a livelihood for considerably more people than agricultural and pastoral pursuits. The increase in Australia's population from 4.5 million in 1914 to 7 million in 1939, moreover, provides a far greater source of man power for both military and economic mobilization than in the World War.

AUSTRALIA'S WAR ECONOMY

Immediately after the outbreak of war, the Commonwealth government began to set up new agencies and controls for organizing the national economy, fixing prices, regulating capital issues and conserving foreign exchange, licensing exports and embargoing imports.[3] As the war progressed, the effect of these measures became increasingly evident in the spheres of finance, agriculture, industry and foreign trade. Like Great Britain and the other Dominions, however, Australia did not begin to mobilize its resources fully until after Germany's successful campaigns in the spring of 1940. On June 20, 1940 the Australian Parliament passed the Na-

3. For a comprehensive survey of the government's program, cf. E. R. Walker and M. E. Riley, "Australia's War Economy," *The Economic Record* (Melbourne), December 1940, pp. 161-72; June 1940, pp. 78-81.

tional Security Act, which granted—like Britain's emergency legislation one month earlier—full authority to the government to utilize the entire man power and resources of the country for war.[4] Compulsory military service, however, was limited to home defense.

Finance. The impact of war, especially after the fall of France, was reflected in the Commonwealth budget. Total expenditures rose as follows: 1937-38, £90,512,000; 1938-39, £98,031,000; 1939-40, £140,340,000; 1940-41 (estimated) £270,853,000.[5] An increasingly large proportion of these expenditures was devoted to military purposes, as the government constantly revised its estimates upwards during the years preceding the war and, after September 1939, placed its defense forces on a wartime footing. Defense expenditures increased as follows: 1937-38, £5,948,595; 1938-39, £8,854,523; 1939-40, £55,114,510; 1940-41 (estimated), £186,000,000.[6] The amount spent for defense during the year ending June 30, 1940—£55,114,500—was actually considerably lower than the government had anticipated, owing to the initial delays involved in transferring the country from a peacetime to a wartime basis. In view of the rapid acceleration in military and economic preparations in recent months, however, it is possible that the 1940-41 estimates of £186,000,000 will be surpassed, perhaps reaching £200,000,000 or more.[7]

To fill the ever-widening gap between expenditure and revenue—a deficit of £31,354,789 in 1939-40 and £119,730,815 (estimated) in 1940-41[8]—the government has resorted to large-scale borrowing. In addition to borrowing £12,000,000 from the banks in December 1939, the government floated public issues of £18,000,000 in March 1940 and £20,000,000 in May 1940. It also raised over £15,000,000 by War Savings Certificates and £5,100,000 in interest-free loans.[9]

Australia, like many other countries, is faced with the wartime problems of shifting production from civilian to military goods, and of preventing an inflationary spiral of rising prices and wages as a result of increased government expenditures. In order to curtail civilian consumption by siphoning off the increased purchasing power of the public, the government has not only sought to borrow from the public rather than the banks, but has also imposed increasingly severe taxation. After raising taxes in May 1940, the government imposed even higher duties in November 1940 to provide additional revenue of £31,000,000, or a total of £150,000,000 in 1940-41 compared with £109,000,000 in 1939-40.[10] Sharp increases were made in the middle and lower income taxes, company taxes, the sales tax, and customs and excise taxes. The government has not introduced civilian rationing, however, except with respect to gasoline.

In order to eliminate one of the dangers of inflation, the Commonwealth Prices Commissioner—a distinguished economist, Professor D. B. Copland—has taken vigorous action against profiteering.[11] Stringent regulations, with penalties, were put into effect against price-fixing, cornering, hoarding, speculative buying and rationing. Immediately after the outbreak of war the prices of certain vulnerable commodities were pegged at the August 31, 1939 level, and others were subsequently regulated.[12] The system thus far has apparently proved relatively successful. Although wholesale prices were up about 13 per cent, the cost of living rose only 4.7 per cent during the first year of war, in contrast to a rise of 40 per cent in the World War.[13] Control of rents was left to the states exclusively.

The Primary Industries. A crisis in Australia's primary industries—agricultural and pastoral—was prevented at the outbreak of war by the action of the British government in buying up the entire exportable surpluses of wool, butter and cheese, canned and dried fruits, meat, eggs, sugar, copper, zinc, tungsten and tungsten ores at stabilized prices.[14] The threat of excessive surpluses of wheat

4. *The Round Table,* September 1940, pp. 919-20.

5. Parliament of the Commonwealth of Australia, 16th Parliament, *The Budget, 1940-41* (Canberra, Government Printer, 1940), *passim.*

6. *Ibid.,* p. 70. Of the £186,000,000 estimated for 1940-41, £43,000,000 will be spent overseas, partly with the aid of a British loan, and £143,000,000 in Australia.

7. *Ibid.,* January 2, 1941. On the basis of an estimated national income of £900,000,000 in 1940-41, approximately 20 to 22 per cent would thus go to the war effort.

8. *The Budget, 1940-41,* cited, p. 108.

9. A. W. Fadden, Treasurer, *Budget Speech, 1940-41,* November 21, 1940 (Canberra, 1940).

10. *Ibid.*

11. Cf. Sir Marcus Clark, "Price Control in Australia," *The Australian Quarterly,* March 1940, pp. 31-39; *Christian Science Monitor,* January 11, 1941.

12. The system has been operated in part on an "averaging principle," the proper price to the consumer being calculated on a complex formula which averages the pre-war price of old stocks and post-war price of new stocks.

13. *Christian Science Monitor,* November 30, 1940. The basic cost of living index, on which minimum wage scales are fixed by the Arbitration Court, consists of a weighted average of food and groceries, clothing, the rent of four- and five-room houses, transport, household utensils and other items, in the six capital cities of Australia.

14. In the case of wool, Britain contracted for the duration of the war and one year thereafter; for the other commodities, it signed contracts covering six months or a year. Britain agreed to refund to Australia half the returns on re-sale of wool in the world markets. For a brief summary of Australia's agricultural and pastoral potential, cf. Green, "The British Dominions at War," cited, pp. 279-80; for recent developments, cf. Walker

was reduced by British purchases—totaling 86,000,000 bushels of wheat and 120,000 tons of flour—and by severe droughts in late 1940. By the end of 1940 the Australia Wheat Board had sold all but 25,200,000 bushels of its 195,750,000 bushels from the 1939-40 crop.[15] With the 1940-41 crop estimated at only 82,400,000 bushels, of which 62,000,000 bushels are to be delivered to the Board, an exportable surplus of only 22,500,000 bushels is anticipated for 1941. In recent months shipping shortages have necessitated priorities in favor of the less bulky and perishable products, seriously curtailing exports of fresh fruits, canned fruits and wine.[16]

Industrial Production. The rapid expansion of Australia's industrial production has been the most striking economic development of the war, and the most significant in its long-term implications.[17] Exchange difficulties and shipping shortages have compelled the curtailment of many imports, and British industry since the spring of 1940 has been preoccupied with supplying the home forces. Australia has endeavored, especially since the fall of France, to equip not only its own military establishment but also to supply New Zealand, India and other Empire territories. It is producing hundreds of thousands of steel helmets, supplying New Zealand and India as well as its own requirements. Dozens of new industries have sprung up since the outbreak of war—including factories making airplane frames, engines and propellers; Bren guns and anti-aircraft guns; canvas, cotton duck, and linen thread; plastics and chemicals; machine tools; aluminum and stainless steel.[18] By July 1941 industries devoted to the production of munitions and related products are expected to employ over 150,000 workers.

During the past ten years Australia's iron and steel industry—located chiefly near the coal and iron deposits in eastern New South Wales and the iron ore region near Whyalla, South Australia—has developed rapidly, its present output of steel ingots exceeding 1,000,000 tons, and greatly increased plant being prepared.[19] Two types of complete training planes are already being produced at the rate of three a day, and production of 400 Bristol Beaufort bombers is expected to begin by the summer of 1941.[20] The production of Bren guns began in January 1941, six months ahead of schedule, while the output of small arms, shells and other munitions, and armored cars and gun-carriers has been greatly accelerated.[21] Preparations are under way for the production of tanks.[22] On December 3, 1940 the first of three "Tribal-class" destroyers, of 1,870 tons and armed with eight 4.7-inch guns, was launched, while Australian shipyards undertook the construction of sloops, boom vessels, motor torpedo boats, and merchant vessels.[23] The whole industrial program is being directed by a new Ministry of Munitions which was separated from the Department of Supply and Development on June 11, 1940. This Ministry is headed by Prime Minister Menzies and Mr. Essington Lewis, formerly Managing Director of Broken Hill Proprietary, the largest industrial company in Australia.

The chief potential obstacles to Australia's war effort are shortages of raw materials, machine tools and skilled labor. At a cost of £10,000,000, the Department of Supply has been building up reserve stock piles, sufficient for six months or a year, of strategic raw materials not obtainable in Australia, including jute, cotton, rubber, tinplate, industrial chemicals, tanning materials and dyestuffs.[24] The problem of machine tools has proved difficult, and has seriously impeded the production of the more complex types of armaments, such as the Bristol Beaufort bomber, which requires 33,000 jigs and tools, and the Bren gun.[25] With machine tool imports from Germany cut off and those from Britain and the United States curtailed, Australia expedited domestic production; by the middle of February 1941 it had ordered over 4,000 tools valued at £3,000,000 from 30 engineering firms.[26]

To offset the shortages of skilled labor that have begun to appear in the armament industries, the Commonwealth and state governments, in cooperation with trade union organizations, have begun special training courses.[27] In June 1940 a record total of 565,000 persons were employed in factories; and by January 1941 unemployment of trade union members fell to 6.2 per cent, in comparison with

and Riley, "Australia's War Economy," cited; S. M. Wadham, "Australian Agriculture and the War," National Bank of Australia, *Monthly Summary,* November 11, 1940, pp. 12-15.

15. *The New York Times,* January 14, 1941.

16. Wadham, "Australian Agriculture and the War," cited, pp. 14-15.

17. For general survey, cf. H. T. Goldstein, "War's Impact on Australia's Economy," *Foreign Commerce Weekly,* November 23, 1940, pp. 339-41; Margaret Maccoll, "The War and Industrial Development in Australia," *The Australian Quarterly,* June 1940, pp. 22-23.

18. *The New York Times,* November 24, 1940.

19. For description of the industry, cf. C. M. Zierer, "The Australian Iron and Steel Industry as a Functional Unit," *The Geographical Review* (New York), October 1940, pp. 649-59.

20. *Christian Science Monitor,* September 17, 20, 1940.

21. *The New York Times,* January 14, 1941.

22. *Ibid.,* January 13, 1941.

23. *Christian Science Monitor,* December 4, 1940.

24. *Ibid.,* December 3, 1940.

25. *Ibid.,* September 14, 1940.

26. *The New York Times,* February 20, 1941.

27. *Chrisitan Science Monitor,* April 27, 1940.

10.2 per cent at the outbreak of war.[28] Under the National Security Act of July 1940 the Commonwealth government has assumed jurisdiction over intra-state as well as inter-state industrial disputes, and has extended the authority of the Commonwealth Arbitration Court, empowering it to apply its awards to the entire industry concerned.[29] The federal trade unions, moreover, have established a panel in each industry to advise the government on specific labor problems.[30]

In an effort to conserve dollars and guilders, the Australian government on December 1, 1939 prohibited all imports from non-sterling countries except under license.[31] The importation of many articles was prohibited entirely, while in other cases it was restricted to a specific percentage of the prewar trade. The regulations were greatly expanded in April 1940, and again in October 1940.[32] These restrictions did not diminish the total amount of Australia's imports, as indicated in the table below, but diverted purchases from non-essentials to strategic raw materials, airplanes and parts, and other war products. United States exports to Australia amounted to $57,129,000 during the first nine months of 1940, in comparison with $43,780,000 in the corresponding period of 1939.[33] The dollar exchange situation tends to distort United States-Australian trade; and it must be borne in mind that many products hitherto imported may not be required again if efforts to produce them locally should succeed.

AUSTRALIA'S FOREIGN TRADE*

(*in thousands*)

Year Ending June 30		*1937*	*1938*	*1939*	*1940†*
Imports	£*Stg.*	92,640	113,975	102,156	115,705
Exports	£*Stg.*	129,664	125,838	112,201	116,239
	£*Aust.*	*162,377*	*157,580*	*140,496*	*145,589*
Excess of Exports	£*Stg.*	37,024	11,863	10,045	533

*Source: *Quarterly Summary of Australian Statistics*, June 1940, p. 18.

†Excluding shipments of gold and silver bullion, for which figures are no longer available.

POLITICAL DEVELOPMENTS

One of the most serious difficulties hampering Australia's war effort is the present stalemate in party politics, as a result of which a coalition government functions at present with only the narrow margin of one vote in Parliament. Three major parties have dominated Commonwealth politics in the past decade: the Labor party, United Australia party (a merger of the Nationalist party and dissident Labor in 1931), and the Country party.[34] The Labor party, deriving its chief strength from the trade unions, has long been the most cohesive and powerful single group, with particularly efficient machines in the industrial regions of New South Wales, Queensland[34a] and Victoria. It has championed social legislation, extension of government ownership and control, restriction of immigration, high tariffs, credit expansion, and public works, and has opposed compulsory military training and participation in "imperialist" wars. Although in office only once (1929-31) in the past two decades, Labor has greatly influenced public opinion and legislation. Since 1935 the authority of Mr. John Curtin has been frequently challenged by the more radical New South Wales labor party, headed by Mr. J. T. Lang. Mr. Lang was ousted from control in 1936, and his faction continued its opposition to the Federal party, under the title of "Non-Communist Labor party," but was readmitted to the official party in February 1941.

The United Australia (formerly Nationalist) party and the Country party have cooperated during the past twenty years to oppose Labor, which normally has had the largest number of seats in the House, but not a majority. The U.A.P., representing business and conservative interests, has advocated a "White Australia" policy and protectionism, but has opposed much of Labor's social legislation. The smaller Country party, promoting rural interests, has favored revenue rather than protective tariffs and advocated subsidies and marketing procedures favorable to agriculture. In 1931 the Nationalist party and dissident Labor groups merged to form the U.A.P. and—under Mr. J. A. Lyons, a former Labor Minister—supplanted the Labor government. After 1934, when the U.A.P. and Country parties formed a coalition government under Mr. Lyons, the latter normally received four of the eleven Cabinet portfolios, and its leader, Sir Earle Page, remained Deputy Prime Minister. This collaboration, during which the Country party used its balance of power in Parliament to give stability to the government, was successful in the elections of 1934 and 1937, the latter being fought chiefly on

28. *Ibid.*, December 3, 1940; *New York Herald Tribune*, January 26, 1941.

29. *The New York Times*, December 22, 1940.

30. *Ibid.*, July 6, 1940.

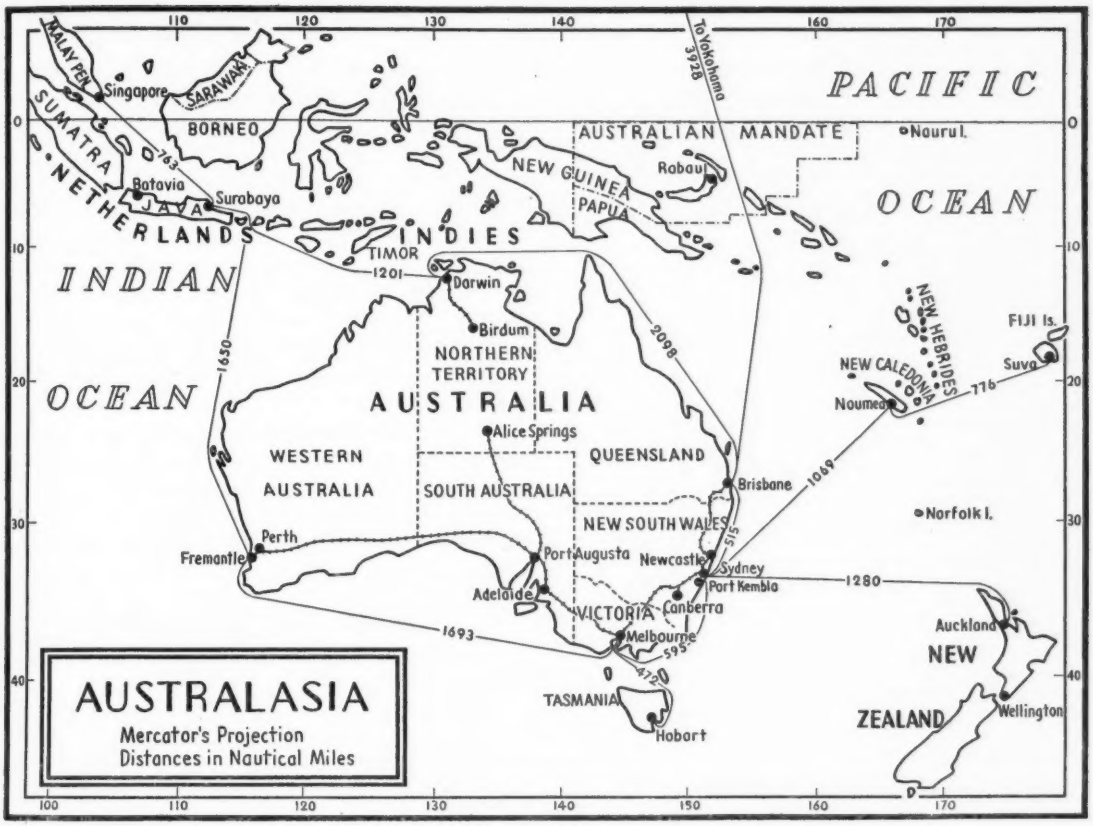
31. *New York Herald Tribune*, December 5, 1939.

32. For details, cf. Henry Chalmers, "Impact of the War Upon the Trade Policies of Foreign Countries. Part II—The British Empire and the Far East," *Foreign Commerce Weekly*, February 8, 1941, pp. 226-230.

33. Goldstein, "War's Impact on Australia's Economy," cited, p. 340.

34. For detailed discussion, cf. W. G. K. Duncan, *ed., Trends in Australian Politics* (Sydney, Angus and Robertson, 1935).

34a. In Queensland the Labor party's strength is based on the Australian Workers Union, which consists of shearers, cane cutters and country workers generally.



defense policy. Following the death of Prime Minister Lyons on April 7, 1939, Sir Earle Page became Prime Minister temporarily until the United Australia party could elect a new leader.[35] Mr. R. G. Menzies, former Attorney General, was chosen U.A.P. leader, and became Prime Minister on April 26.[36] Owing to personal friction between Mr. Menzies and Sir Earle Page, the Country party withdrew from the coalition, thus creating a minority party government—holding only 25 of 74 seats.

After the outbreak of war, when Mr. Menzies established a War Cabinet of six members, there was increasing public demand for a "national" government of all parties, or at least a restoration of the dual leadership. In September 1939 Sir Earle Page resigned after twenty years as leader of the Country party, thus paving the way toward renewal of the coalition. At that time this did not prove possible, partly owing to the Prime Minister's insistence that the Country party members of the Cabinet should not be chosen exclusively by the leaders of the party. Prime Minister Menzies, whose government existed only on sufferance by the Country party, eventually secured the cooperation of the new Country party leader, Mr. Archie Cameron, and on March 14, 1940 formed a new coalition government, allotting to the Country party six portfolios and one seat in the War Cabinet.[37] For several months Prime Minister Menzies endeavored to secure Labor cooperation in the establishment of an all-party Cabinet.[38] The possibility of cooperation was enhanced on June 19, 1940, when the federal conference of the Labor party adopted at Melbourne a far-reaching resolution, advocating mobilization of all resources for war, compulsory military training, complete participation in the Empire Air Training Plan, reinforcement of the overseas forces, as well as the safeguarding of union rights, and enactment of an excess profits tax of 100 per cent.[39] Mr. Curtin, the Labor leader, however, declined the repeated invitations of Prime Minister Menzies to enter an all-party government, not only because of differences regarding method and personnel, but also because of his belief that the continuance of "constructive criticism" by the official Opposition would more

35. For brief survey, cf. *The Round Table*, June 1939, pp. 622-33.

36. *Ibid.*, September 1939, pp. 652-60.

37. *The New York Times*, March 14, 15, 16, 1940.

38. For detailed narrative, with relevant documents, of the prolonged negotiations leading to the formation of a War Council on October 23, 1940, cf. Warren Denning, ed., *Australian National War Council* (Canberra, Federal Capital Press, 1940).

39. For text, cf. *The Round Table*, September 1940, pp. 916-17.

effectively promote the war effort and preserve democratic forms.[40]

The breakdown of the Menzies-Curtin negotiations made a general election virtually inevitable, although the government had hoped to extend the life of Parliament, due to expire in November 1940. The position of the Menzies Cabinet was made even more difficult by the death of three of its outstanding members—Brigadier G. A. Street, Army Minister; Mr. J. F. Fairbairn, Air Minister; and Sir Henry Gullett, Vice President of the Executive Council—in an airplane accident on August 13, 1940.[41] The general election, held on September 21, 1940, was fought largely on the question of the government's war effort, since both the Ministerialists and the Opposition accepted the same general objectives. The government forces—U.A.P. and Country party—lost a total of four seats in the House of Representatives; the Labor party gained five; and the Non-Communist (Lang) Labor party lost one.[42] The number of seats held by the Menzies supporters was reduced to 36 by the election of a Speaker, or exactly equal to the combined Labor membership, giving the balance of power to Mr. A. Wilson, an independent Country party member.

The precarious position of the Menzies government led to further negotiations with the Labor leaders, and on October 22, 1940 an all-party National War Council of eight members was established, which was to advise and assist the government in its war effort but not to exercise executive powers.[43] A few days later, Prime Minister Menzies further reorganized his Cabinet, still on a coalition basis with Sir Earle Page returning to office, and included for the first time a Ministry of Labor.[44] The War Cabinet and the Advisory Council, with the same secretariat, will determine general war policy, while the larger Cabinet will administer civilian affairs. It was expected that the Economic Cabinet established early in the war would be superseded by the new arrangement.

40. For text of Mr. Curtin's address, cf. *Parliamentary Debates*, 15th Parl., 2nd Sess., House of Representatives, June 20, 1940, p. 21.

41. Lieut. General Sir Brudenell White, Chief of the General Staff, and six others were also killed in the crash outside Canberra. *The New York Times*, August 13, 14, 1940.

42. The popular vote was as follows: Ministerialists, 1,743,282; Labor, 1,860,853; and independents, 272,851. *Ibid.*, November 17, 1940. Voting in Commonwealth elections is both compulsory and preferential, the latter causing the final decision to remain uncertain for several weeks. The elections to the Senate, which has relatively little power, involved only 19 of its 36 seats. The Labor party won three seats in New South Wales, and the government was successful in all other states, leaving the new Senate divided as follows: Ministerialists, 19; Labor, 17.

43. *The New York Times*, October 23, 1940; Denning, *ed.*, *Australian National War Council*, cited, pp. 20-24; *The Sydney Morning Herald*, October 9, 16, 1940.

44. *The New York Times*, October 25, 29, 1940.

AUSTRALIA'S EXTERNAL RELATIONS

During the two decades following the World War, Australia—unlike Canada, the Union of South Africa, and Eire—has been comparatively well satisfied with its status in the British Empire and with the right of the United Kingdom to determine the Empire's diplomatic and defense policies.[45] The Australians not only have refused to implement the Statute of Westminster by their own legislation, but they have rarely considered—as have other Dominions on occasion—the possibility of remaining neutral when Britain is at war. Australia's population is about 88 per cent of British stock; its culture is almost entirely British in character. Before the outbreak of war, its newspapers and magazines received most of their news and interpretations of world affairs through London,[46] but during the latter half of 1940 Australian newspapers received much more news from the United States and established several news bureaus in America.[47]

The Australians have been relatively content to acquiesce in the decisions of the British government regarding foreign policy, although they have wanted Britain to limit its commitments on the Continent and to avoid a European conflict if possible. After the Munich accord both Prime Minister Lyons and Mr. Curtin, the Opposition leader, praised Mr. Neville Chamberlain's efforts to preserve peace, and expressed relief that hostilities had been averted.[48-49] After Germany's occupation of Prague in March 1939, however, it became clear that Australia felt irrevocably committed to enter any general European conflict.

Australia's major objectives—maintenance of its territorial integrity, its restrictive immigration policy, and its foreign policy—have rarely conflicted

45. For discussion by five writers, cf. W. G. K. Duncan, *ed.*, *Australia's Foreign Policy* (Sydney, Angus and Robertson, in conjunction with the Australian Institute of Political Science, 1938).

46. In 1938 it was estimated that about 85 per cent of the overseas news published in Australian papers came through London, 12 per cent through New York, and the remaining 2 to 3 per cent directly from the rest of the world. Even news of Pacific countries was filtered through London. W. M. Ball, *ed.*, *Press, Radio and World Affairs* (Melbourne, Melbourne University Press, 1938). For criticism of this situation, cf. Libra, "Press and Public Opinion in Australia," *The Austral-Asiatic Bulletin*, February-March 1939, pp. 9-10.

47. Cf. Fred Alexander, *Australia and the United States* (Boston, World Peace Foundation, America Looks Ahead Pamphlet Series No. 1, January 1941), pp. 16-17.

48-49. Mr. Curtin reiterated the "isolationist" sentiment of the Labor party by stating: "The defence of this nation is best served by a policy of national self-reliance rather than one which embroils us in the perennial disputes in Europe." *Parliamentary Debates*, 15th Parl., 1st Sess., House of Representatives, October 5, 1938, p. 393.

with the general policies of the Empire, except during the trade negotiations at Ottawa; in fact, they have usually reinforced the Empire's efforts to maintain its prestige and power throughout the world. The Commonwealth belongs among the so-called *status quo* powers which the Axis nations claim to be challenging, since it occupies a continent and administers Norfolk Island, Papua, a portion of Antarctica, and a mandate—under the League Covenant—over the former German territories in northeastern New Guinea and adjacent islands.[50-51] For many decades, moreover, Australians of all classes and parties have advocated a "White Australia" policy and have rigorously excluded Asiatics, fearing both economic competition and the difficulties of assimilation. Because of the importance of its trade with Great Britain, Australia is anxious to safeguard its major sea route to Britain—via the Indian Ocean, Red Sea and Mediterranean.

Australia's unquestioning loyalty to the Empire is inspired not merely by historic tradition, sentiment and economic interest, but also by certain obvious strategic considerations. The maintenance of Australian independence and protection of its national interests have presupposed the existence of a powerful British battle fleet, free to operate if necessary from Singapore.[52] During the past twenty years Japan has been the only great power that might conceivably desire to strike at any of the numerous British Empire territories in the Western Pacific.[53] While Japan's invasion of Manchuria in 1931 presaged a change in the Pacific balance of power, it was not until the Ethiopian conflict of 1935-36 and the subsequent disintegration of European peace that Australia became alarmed over its vulnerability. If the British fleet were sunk or captured, or merely confined to European waters by the threat of the Axis powers, Japan would be relatively free—unless too preoccupied in the Chinese war or checkmated by the United States—to control southeast Asia and threaten Singapore.

50-51. This mandated area, extending northward to the equator, was made part of the Australian defense system on August 1, 1940, but the natives (non-white) were exempted—as in the Commonwealth—from compulsory military service. In accordance with the League Covenant, however, the mandated area—unlike Papua—must not be fortified. *Christian Science Monitor*, August 1, 1940; *The New York Times*, August 6, 1940.

52. Cf. R. G. Casey (now Minister to the United States), "Australia in World Affairs," *International Affairs*, September 1937, p. 704.

53. The chief British Empire territories within the widest orbit of Japanese naval power, in addition to the Australian possessions listed above, are as follows: Hongkong, Straits Settlements and Federated Malay States, Sarawak and North Borneo, and the Fiji Islands; New Zealand, which controls Cook Islands, Takelau Islands, and a mandate over Western Samoa; Nauru, a joint mandate of Britain, Australia and New Zealand; and the New Hebrides, under Anglo-French condominium.

Except for commercial disputes and the trade diversion controversy of 1936, relatively few issues have developed as yet between Australia and Japan, since the latter in recent years has been primarily engaged in its attempt to conquer China and establish a "new order" in east Asia.[54] The Commonwealth government, desiring to redress the Pacific balance of power by supplementing the League Covenant and Washington Treaties, proposed a regional non-aggression pact at the Imperial Conference in May 1937,[55] but this project was rendered impossible by the renewal of Sino-Japanese hostilities two months later. The Australian government was so anxious to avoid friction with Japan during this period that in 1938 it took vigorous action against trade union workers at Sydney and Port Kembla who refused to load scrap iron and pig iron, respectively, destined for Japan.[56]

The situation became more acute in the spring of 1940, when Germany's conquest of the Netherlands and France isolated three important colonial areas in the Western Pacific—the Netherlands Indies, Indo-China, and New Caledonia—and prompted Japan to increase its pressure on southeast Asia.[57] Although French Indo-China, which later became embroiled with Japan and Thailand, gave allegiance to the Vichy government, New Caledonia—important for its strategic position and its mineral resources—continued cooperation with Britain and the "Free France" forces.[58] On September 18, 1940 Colonel Denis, whom Vichy had appointed Governor a month previous, was forced to resign by public opposition. He was replaced on the following day by M. Sautot, formerly Resident Commissioner of the New Hebrides, who had been commissioned by General de Gaulle.[59] In the meantime, the Australian government sent a commercial representative to Noumea, but denied that it con-

54. For detailed analysis, cf. Jack Shepherd, *Australia's Interests and Policies in the Far East* (New York, Institute of Pacific Relations, 1940).

55. For discussion of Prime Minister Lyons' proposal, cf. "The Pacific Regional Pact," *The Austral-Asiatic Bulletin*, June 1937, p. 4.

56. *Ibid.*, June-July 1938, pp. 1-2; February-March 1939, pp. 11-12.

57. Cf. T. A. Bisson, "Indo-China: Spearhead of Japan's Southward Drive," *Foreign Policy Reports*, October 1, 1940. A fourth area—Portuguese Timor, including the east part of Timor Island and adjacent islands—might become similarly isolated if Portugal were to lose its independence.

58. Cf. Jack Shepherd, "New Caledonia: Orphan of the South Pacific," *Pacific Affairs*, December 1940, pp. 423-34.

59. For detailed narrative, cf. *The Austral-Asiatic Bulletin*, December-January 1940-41, p. 5. In October 1940 the Australian Minister for External Relations, Mr. John McEwen, formally rebuked the French Consul General in Melbourne, M. Jean Tremoulet, for denouncing the Frenchmen in New Caledonia and elsewhere who had repudiated the Vichy régime, and M. Tremoulet's exequatur was withdrawn. *The New York Times*, October 8, 1940.

templated annexation. Australia in early September 1940 supported Great Britain and the United States in their reaffirmation of the *status quo,* and by implication denied Japan's right to assume control of the Dutch and French empires. The Commonwealth government approved Britain's decision in July 1940 to close the Burma Road for three months in an effort to promote Sino-Japanese peace negotiations, but later supported the re-opening of the road on October 16, after this appeasement policy had proved a failure.[60-61] Japan's adherence to the Rome-Berlin Axis on September 27, 1940 heightened tension in the Western Pacific. The Commonwealth government announced, however, that it would continue with its plans to improve diplomatic relations with Japan, begun with the appointment of Sir John Latham, Chief Justice of the High Court, as first Minister to Tokyo.[62] Prime Minister Menzies later warned that Australia could not be deterred in any way from its determination to support Great Britain.[63]

The fall of France, Italy's entrance into the war, and the German air attacks on Britain left Australia more precariously isolated than at any time in its history and aroused speculations regarding the future policy of the United States. The establishment of diplomatic relations between Australia and the United States had been announced on January 8, 1940, when Mr. Richard G. Casey, Minister of Supply and former Treasurer, was appointed Australia's first envoy to a foreign country.[64] During the summer and early autumn of 1940 both Mr. Casey and Lord Lothian, late British Ambassador in Washington, entered into extensive conversations with President Roosevelt and Secretary Hull regarding the Far East. The announcement on August 19, 1940 of a Canadian-American Permanent Joint Defense Board and the destroyer-base exchange of September 2 led to widespread belief—despite frequent official denials—that informal arrangements had been made for Anglo-American cooperation in the Pacific. While Prime Minister Menzies and Australian newspapers warned that it was premature to discuss the possibility of an alliance or a defense agreement with the United States, public opinion—in New Zealand as well as Australia—apparently became favorable to closer relations with North America.[65]

It may be assumed that the United States would enter such an agreement with the British Empire countries only if determined to check Japan's southward expansion at all cost.[66] Any defense arrangement would obviously involve far-reaching implications for both countries—an extension of the Monroe Doctrine far beyond its present confines and a reorientation of Australia's external relations.[67] For the moment, the presence of the American battle-fleet at Hawaii contributes an element of stability in the Pacific and safeguards, to some extent at least, Australia and other British Empire countries.

Any defense arrangements, to be effective, would have to allow American naval vessels to use Singapore, Port Darwin, and many other harbors and air bases. The rapid development of air transportation in the Pacific, including regular Clipper service to Australia—via Hawaii, Canton Island, New Caledonia and New Zealand—offers new opportunity for military collaboration, as well as economic and cultural relations, between the United States and Australia. In the event that the North Pacific is made unsafe for American communications with the Philippines and other Far Eastern areas, alternatives are provided not only by the present Clipper routes, but also by a possible air route across the South Pacific via Clipperton, the Marquesas, Samoa and New Caledonia.

DEFENSE PROBLEMS

While it was assumed, in peacetime, that Australia would become a "belligerent" in a British Empire war, constant discussion took place regarding the nature and extent of Australian participation. Not only did the Labor party oppose conscription and an expeditionary force, but both military and civilian authorities differed over the relative emphasis to be given "Empire defense" and "home defense," especially since it had become increasingly evident that Britain would be unable to send any capital ships east of Suez, at least until the comple-

60-61. Cf. address of Mr. John McEwen, Minister for External Affairs, *Parliamentary Debates,* 15th Parl., 2nd Sess., House of Representatives, August 6, 1940, p. 189.

62. *The New York Times,* August 19, October 3, 1940. Sir John took up his post in December 1940.

63. *New York Herald Tribune,* October 16, 1940.

64. *The New York Times,* January 8, 1940. The first American Minister to Australia, Mr. Clarence E. Gauss, presented his credentials six months later. *Ibid.,* July 17, 1940. On February 6, 1941 Mr. Gauss was appointed Ambassador to China, replacing Mr. Nelson T. Johnson, who in turn was made Minister to Australia. *Ibid.,* February 7, 1941. In September 1939 Australia and Canada agreed to exchange High Commissioners for the first time.

65. *Ibid.,* September 6, 1940; *Christian Science Monitor,* November 9, 1940; Alexander, *Australia and the United States,* cited, *passim.* The New Zealand government recently announced its intention of opening a legation—its first diplomatic post—in Washington.

66. According to a "highly authoritative source" in Wellington, New Zealand, the United States has completed "an understanding" with Australia and New Zealand for the use of naval and air bases in the South Pacific. *Ibid.,* February 2, 1941.

67. For an analysis of this problem, cf. C. Hartley Grattan, "An Australian-American Axis?" *Harpers Magazine,* May 1940, pp. 561-69; and letter in *The New York Times,* July 7, 1940.

tion of the five *King George V* battleships, in 1941 or 1942 at the earliest.[68] The traditional "Empire defense" school favored larger naval forces, to cooperate with the Royal Navy wherever necessary, and the preparation of expeditionary troops for Europe or the Near East. Proponents of "home defense" advocated a larger air force, which they argued would cost less and could repel raids against Australia's coasts and the near-by islands more effectively. The result was a compromise on a fairly well-balanced defense budget. In 1938, however, the government rejected proposals for the purchase of a capital ship to serve as the nucleus for an enlarged navy, because of the excessive cost, estimated at £16,000,000,[69] as well as lack of a capital-ship dock.

The defense of Australia involves two different strategic problems: the maintenance of the *status quo* in the whole Western Pacific area, so that Japan—by successive steps southward—cannot effectively isolate the Commonwealth; and the protection of Australia's coasts and commerce against sporadic raids.[70] The first task involves the larger issue of "Empire defense," pivoted on the Singapore base, 1,964 miles from Port Darwin. Before the outbreak of war in Europe, the Western powers had sufficient naval strength in this region, even with the British battle-fleet remaining east of Suez, to render Japanese expansion southward extremely hazardous.[71] Japan's southernmost base was in Formosa, except for possible submarine bases in its Caroline Islands mandate, while the Australians were protected by the "shield" of islands extending eastward along the equator from Singapore through their own mandated territories, which join those of Japan at the equator. Although Britain has probably withdrawn much of its naval tonnage from Australasia since September 1939, Japan has hesitated, before securing bases in French Indo-China, to attempt the reduction of Singapore—a difficult task by either land or sea—or the invasion of other dependencies of the Western powers.[72] Before contemplating the invasion of Australia, which would involve sending large expeditionary forces to the Commonwealth's southeastern coasts, Japan presumably would have not only to take Singapore but would also have to obtain footholds in Papua and New Caledonia. Successful invasion of Australia, moreover, would presuppose the absence of large British and American naval forces.

The formidable task of "home defense" involves primarily the safeguarding of 12,000 miles of coast line. Since the fall of France, the Australian government, while not stinting its aid to Britain, has laid particular stress upon the need for meeting any emergency in the Pacific. A considerable proportion of the Australian population lives within gunfire of naval vessels, and many vital centers—such as Fremantle, Port Adelaide, Port Kembla, Sydney and Newcastle—are vulnerable to raids. The problem of shifting troops and equipment from one center to another is augmented by the variation of gauge on Australia's railroads, although new rail construction has somewhat reduced this hazard, and by the normal dependence on coastwise shipping, also subject to raids. One serious deficiency in Australian defense—the lack of an all-weather route over the 2,000 miles between the south coast and Port Darwin—was remedied in December 1940 when a highway link of 600 miles in the Northern Territory was completed.[74] The new road, costing £500,000, connects Alice Springs, the northern terminal of a railroad from Port Augusta, and Birdum, the southernmost point of a railway from Port Darwin. Australia is thus now assured of communication with Port Darwin, which contains a defended fleet anchorage and air base, as well as an air depot and oil supplies for airlines to Asia.

THE WAR EFFORT

The Australian troops which have participated in the British Empire's campaign in northern Libya represent a large proportion of the Australian Imperial Force serving overseas.[75] While enlistment for service abroad has remained voluntary, the A.I.F. comprised 89,556 men in September 1940, in addition to 18,398 in the permanent forces and

68. P. F. Irvine, "The Defense of Australia," Australian Institute of International Affairs, *Australian Supplementary Papers*, Series D, No. 3 (processed 1938); Tyler Dennett, "Australia's Defense Program," *Foreign Affairs*, October 1939, pp. 116-26.

69. *The Round Table*, March 1939, p. 420, June 1939, p. 630. Regarding subsequent construction of such a dock, cf. *ibid.*, June 1939, p. 630.

70. Cf. Royal Institute of International Affairs, *Political and Strategic Interests of the United Kingdom* (New York, Oxford University Press, 1939), *passim*.

71. Prior to the European war, the disposition of naval forces was approximately as follows: Britain (China and East Indies squadrons), Australia, New Zealand, 15 cruisers, 36 destroyers and sloops, 16 submarines; France, 2 cruisers, 5 destroyers, and 2 submarines; Netherlands, 3 cruisers, 12 submarines. *The Austral-Asiatic Bulletin*, June-July 1939, p. 1.

72. A recent estimate placed these naval forces as follows: Britain, 2 cruisers, probably 8 submarines; Netherlands, 5 cruisers, 8 destroyers, 18 submarines, and probably 100 long-range naval aircraft. Major George Fielding Eliot, *New York Herald Tribune*, October 3, 1940. For discussion of defense problems, cf. Alexander Kiralfy, "The Defenses of Singapore," *Asia*, January 1941, pp. 20-22; Basil Hall, "The Islands Defence Front," *The Austral-Asiatic Bulletin*, June-July 1939, pp. 7-9.

73. *The Round Table*, September 1938, pp. 878-81.

74. *Christian Science Monitor*, October 16, December 20, 1940.

75. Cf. Holmes, *ed.*, *Australia and New Zealand at War*, cited, pp. 22-28; Donald Cowrie, "The Anzacs March Again," *Foreign Affairs*, January 1941, pp. 453-57.

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76,230 in the militia within Australia.[76] Provision has been made for eventually securing 250,000 in the home forces, and training has been considerably accelerated since the renewal in November 1939 of compulsory military training, which had been abolished by the Labor government in 1929. On January 8, 1941 the War Cabinet announced plans to form an armored corps for home defense and an armored division for the A.I.F.[77]

Naval personnel has been increased from about 5,000 at the outbreak of war to 15,000 in August 1940.[78] The Australian Squadron of six cruisers—one of which, the *Sydney,* sank the Italian cruiser *Bartolomeo Colleoni* in the Mediterranean on July 20, 1940 and was sent home during the February crisis—has been augmented by 60 armed merchantmen, and many coastal defense vessels and auxiliaries are under construction. The government, moreover, has begun construction of a graving dock at Sydney, costing £2,000,000 and capable of handling the largest capital ships of either the British or American navies.[79]

Australia's most important contribution to the war may eventually be that of aviation. By September 1940 the R.A.A.F. had accepted 33,588 men for training, including 9,476 for air crews and 24,112 for ground crews.[80] Thirty-three training schools were planned for the preparation of pilots. Australian contingents participated in the aerial defense of London during August and September 1940, and increasingly large forces were expected in the spring of 1941. Other squadrons were on duty in Malaya and Libya. In December 1940 the first group of Australian pilots were graduated from the Commonwealth Air Training schools in Canada, while many others were under training.[81]

CONCLUSION

Since Australia depends in the last resort on British sea power for defense of its territory, enforcement of its restrictive immigration policy, and maintenance of its foreign trade, it is vitally concerned in the outcome of the European war. An Axis victory in the near future would not only leave Australia virtually defenseless against Japan, the most immediately menacing partner in the tripartite agreement of September 27, 1940, but would also shatter the whole structure of Australia's finance and commerce. The European hostilities and Japan's advance toward southeastern Asia are already altering the balance of power in the Pacific, and causing the British Empire and the United States to confer regarding the defense of Singapore and other outposts of the Western powers.

Although Australia—like the other democracies—was slow to mobilize its resources for war until the spring of 1940, it has made remarkable progress in recent months. Its population of 7,000,000—less than that of New York City—has contributed notably to the land, sea and air forces of the British Empire and has prepared for far more extensive participation in 1941 and later. If Britain were defeated or seriously crippled, however, Australia, like many other countries, would be deprived of the protection afforded for generations by British sea power and would be exposed to attack by rival imperialist nations. Under such circumstances Australia, while accelerating its own defenses, would, in the long run, have to rely on assistance from the United States. The willingness of the United States to defend Australia and other British Empire countries would naturally be conditioned by America's own relations with the Axis powers.

The war is accentuating some of the most serious long-term problems in Australia's economy—export of agricultural and pastoral products and service of overseas debt charges. Australia has escaped serious difficulty thus far by the sale of most of its exportable surpluses to Britain and by its own rigid control of imports and foreign exchange. The war is stimulating Australian industry to expand and diversify, however, and is reducing the dependence of the Commonwealth on such staples as wool and wheat. While the government has far-reaching wartime control over almost every aspect of Australian life, it has not yet completed the arduous task of creating an effective war economy. The full impact of the war on civilian consumption and the standard of living in Australia will probably not be felt until late 1941, when the increased armament expenditures begin to take effect. It is probable that much greater reduction of civilian consumption—through still heavier taxation, larger borrowings from the public, and rationing—will become necessary as the Commonwealth extends its war effort.

76. *Christian Science Monitor,* September 28, 1940.
77. *The New York Times,* January 19, 1941.
78. *Ibid.,* August 12, 1940.
79. *New York Herald Tribune,* September 15, 1940.
80. *Christian Science Monitor,* September 17, 1940.
81. *New York Herald Tribune,* December 23, 1940. According to Prime Minister Menzies, speaking in London on February 21, Australia expected to train 26,000 pilots and gunners in 1941, as well as to build 51 warships and to increase the A.I.F. to a full army corps of four infantry and one armored divisions. *The New York Times,* February 22, 1941.

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